

NOTICE TO GRANTEEES, CONTRACTORS, VENDORS AND OTHER INTERESTED PARTIES REGARDING RECENT
DEVELOPMENTS CONCERNING BOND-FUNDED CONTRACTS AND GRANT AGREEMENTS WITH THE
CALIFORNIA TAHOE CONSERVANCY

Payment of Pre-Freeze Bills: We have some good news we want to share regarding our ability to pay grantees and contractors for unpaid bills for costs attributable to work performed prior to the December 17, 2008 freeze of general obligation bond-funded projects.

On April 2, 2009, the State Treasurer's Office (STO) completed a sale of \$6.54 billion in general obligation bonds. The Pooled Money Investment Board (PMIB) and the State Department of Finance (DOF) have allocated up to \$988 million of the proceeds for payment of unpaid bills for pre-freeze work on both grants and direct state projects. The Conservancy is allocated up to \$6,448,000 for such unpaid bills. Before these funds can be disbursed, STO, DOF, and the State Controller's Office must complete several administrative actions and finalize the process and procedures. We anticipate that it may be several weeks before these funds are disbursed. However, we expect sufficient funds to be available to cover the vast majority of all currently known pre-freeze bills. We appreciate your patience and understanding, and will work to process payments as soon as possible.

The full text of DOF's directive (Budget Letter 09-09) is available on line at:
http://www.dof.ca.gov/budgeting/budget_letters/documents/BL09-09.doc.

Resumption of Existing Bond-Funded Projects: On April 22, 2009, the Governor's Office announced that the STO has sold an additional \$6.85 billion in bonds, and that this will allow the resumption of existing bond-funded projects that were frozen in December 2008. This is additional good news. We do not yet have details on how and when these funds will be allocated, if the amounts will be sufficient to complete all elements of restarted projects, or the process for receipt and disbursement of these funds. We anticipate additional guidance from DOF in the coming days.

DOF has also clarified, under Budget Letter 09-09, that grantees have the option of using non-state funding sources to continue work on existing, approved projects. This is a change from the "work is conducted at your own risk" message that was given on December 18, 2008. The state intends to eventually repay these costs. Any costs incurred must be consistent with an existing, valid agreement. Grantees are cautioned that the timing of repayment is uncertain, and these projects will not have any repayment priority over other projects that remain suspended.

Resumption of New Bond-Funded Activities: At this time the Conservancy remains subject to the order not to incur any new bond-funded obligations. This order will remain in effect until sufficient funding can be provided through additional bond sales or PMIB loans. For the natural resources types of projects being funded by the Conservancy, it is anticipated that this may not occur until sometime this summer, or later.

We will continue to provide updates as to any further developments regarding the bond freeze. If there are questions, please contact your Conservancy grant or project manager at (530) 542-5580.